Commonwealth of Massachusetts
Department of Telecommunications and Energy

Service Quality Guidelines for Electric Distribution Companies and Local Gas Distribution Companies	)))))	D.T.E. 04-116

Comments of
Constellation NewEnergy, Inc.

I. INTRODUCTION

Constellation NewEnergy, Inc. ("Constellation") submit these comments in response to the request of the Department of Telecommunications and Energy (the "Department") for comments regarding service quality guidelines for electric distribution companies and local gas distribution companies.

The Department opened this investigation to review the service quality guidelines established in Service Quality Standards for Electric Distribution Companies and Local Gas Distribution Companies, D.T.E. 99-84 (2001). Vote to Open Investigation (December 13, 2004). The Department seeks comments on ten specific topics and invites commenters to address other issues as well.

In these comments, Constellation focuses on the need to adopt service quality guidelines for the services that distribution companies provide to customers to enable them to access the competitive market. These important "market access services" include providing usage data, processing enrollment requests, and providing billing-related services for competitively served accounts. In addition, Constellation offers comments on a number of the specific issues raised by the Department.

II. THE DEPARTMENT SHOULD ADOPT SERVICE QUALITY GUIDELINES FOR "MARKET ACCESS SERVICES."

A. The Need for Service Quality Guidelines for "Market Access Services."

In the restructured utility industry, distribution companies provide more than just traditional distribution services. They also provide a host of additional services that enable customers to participate in the competitive markets. These "market access" services include providing usage data, processing enrollments, and providing billing-related services for competitively served accounts. They are key elements of today's utility service.

The Department's service quality guidelines should be expanded to include these market access services. These services are not covered by the existing guidelines and the distribution companies have no other incentive to provide quality market access services.

Today, distribution companies have little or no incentive to provide quality market access services to customers. The companies receive no revenue for providing most of these services. And, the companies realize no other benefit when their market access services enable customers to enter the competitive market. At best, many companies are indifferent to whether their customers enter the market. Further, the distribution companies do not even have a strong customer relations interest in providing quality market access services. Because competitive suppliers are involved in many of the transactions, it can be unclear to the customer who is responsible for the quality of the service. Thus, the distribution company can provide poor service without taking a customer-relations hit and, conversely, does not realize a customer relations benefit when it provides good service.

Given the absence of a reason to perform well, the natural incentive is to cut service and thus costs. This is exactly the situation that service quality standards are designed to address. As the Department has explained, the purpose of service quality guidelines is to ensure that the distribution company maintains a high level of service and does not "act on its incentive to cut costs to the detriment of service quality." Service Quality Standards, D.T.E. 99-84 at 45 (2000). Indeed, service quality guidelines can be an "important bulwark against deterioration of a company's quality of service." Boston Edison Company, D.T.E. 99-19 at 99 (1999), citing Eastern-Essex Acquisition, D.T.E. 98-27 at 12 (1998). Accordingly, market access services are an appropriate area for service quality standards.

Market access services are not covered by the Department's existing service quality guidelines. Those guidelines focus on more traditional measures of distribution company service, such as telephone response time, service appointments met as scheduled, SAIDI, SAIFI, lost work time accident rates, etc.

The only existing service quality measures that begin to address market access services are the customer satisfaction measures: consumer division cases, billing adjustments, and consumer surveys. However, these measures are focused on ***residential*** customers, Service Quality Standards, D.T.E. 99-84, Attachment 1 at 6 - 7, whereas the vast majority of competitive supply customers come from the commercial and industrial classes. Moreover, customer complaints and customer satisfaction surveys are unlikely to capture poor market access service because customers are as likely to blame the competitive supplier as they are to blame the distribution company if, for example, a customer enrollment is not processed on a timely basis. Finally, even if they capture some aspect of market aspect service, the existing measures are not focused on the specific services that enable customers to access the competitive market.

B. Recommended Service Quality Guidelines

Service quality measures for market access services should be adopted in the following areas:

- Provision of interval data
- Enrollment
- Billing-related services
- Distribution company systems and personnel

Specific measures are recommended below. However, we suggest that the measures be refined through technical sessions.

Provision of Interval Data

Provision of customer usage data is a critical initial step in a customer's switch to the competitive market. The data enables customers to solicit and evaluate competitive offers. After switching, for some customers[1] the data serves as the basis for supplier billing. Service quality measures should address the timeliness of data provision, missing data, and the format for data transfer.

- One time interval data requests
  - Timeliness of responses
    - Standard turn-around time – within 1 calendar week from request submittal on manual requests (with request receipt acknowledgement within 1 business day)

[1] The majority of competitive supply customers are billed for supply service based on monthly usage data. The distribution companies provide that monthly data, which is discussed below under "Billing-related services," through the standard Electronic Business Transaction process. Some customers, however, are billed for supply service based on hourly data. The distribution companies provide the hourly data on a subscription basis.

        - Superior turn-around time – within 1 business day from request submittal on manual requests

- Subscription data requests
    - Timeliness of responses
        - Standard turn-around time – provision of data within 1 calendar week of each monthly meter read
        - Superior turn-around time – provision of data within 1 business day of each meter read

- Missing Usage Data
    - Frequency of incomplete responses to data requests
    - Timeliness of responses to requests for missing data
        - Standard response time -- provision of missing usage data within 3 business days of request

- Format for transfer of interval data
    - Incentive for distribution companies to develop the capability to use EDI for provision of interval data (This is the format used in other states, and is far more efficient than e-mail attachments, the system currently in use in Massachusetts.)

Enrollment

When an enrollment is not processed on a timely basis, a customer's switch to the competitive market can be delayed until the next monthly meter read, causing the customer to lose planned savings. For large customers, the cost can be very substantial. Often errors can be resolved, and the switch processed as scheduled, when the distribution company provides a timely response to the enrollment request. Service quality measures should address the timeliness of that response:

- Resolution Time on Enrollment-Related Inquiries/Requests
    - Rejections – within 1 business day
    - Missing Enrollment responses – within 1 business day
    - Other account-specific issues within 2 business days
    - Larger procedural issues – resolution or plan for resolution within 1 business week.

Billing-Related Services

The provision of monthly usage data for billing is a critical service. Competitive supply customers are generally billed for supply service based on monthly usage data provided by the distribution company. When that data is provided late, the customer's bill is delayed. When the data is adjusted after-the-fact, the customer receives a second bill modifying the first bill. Other issues include the resolution time for billing-related inquiries and the timeliness of applying new rates.

- Provision of Billing Data
  - Timeliness of provision of billing data
  - Timeliness of response to requests for missing data
  - Frequency of billing data adjustments[2]
  - Magnitude of billing data adjustments
  - Timing of billing data adjustments
    - No billing data adjustments outside of 3-month ISO resettlement period. (Once that period has passed, there is no way to adjust the wholesale power purchases to match the adjusted usage level.)

- Resolution Time on Billing-Related Inquiries/Requests
  - Account specific issues - within 2 business days
  - Larger procedural issues – resolution or plan for resolution within 1 business week.

- Timeliness of New Rate Set Up
  - Rate setup within 5 business days of request[3]
  - Ability to apply new rate to account up to 3 business days prior to read date for applicable consumption period

Distribution Company Systems and Personnel

In addition to the measures listed above, there is a host of market access service quality issues related to distribution company systems and personnel. Constellation looks

[2] This measure is intended to capture something different from the existing "billing adjustment" measure. The existing measure is limited to "revenue adjustment amount(s) resulting from Departmental intervention in a billing dispute between a Company and a residential customer." Service Quality Standards, 99-84, Attachment 1 at 1. This proposed measure is intended to capture adjustments to the usage data that distribution companies provide to competitive suppliers and that serves as the basis for supply charges. The proposed measure would apply to all customer classes, and would not be limited to matters involving Department intervention.

[3] One way to speed the set-up of new rates is to enable web-based set-up by competitive suppliers.

forward to an opportunity to work with the Department, the distribution companies, and other interested parties to develop a service quality measure that addresses these issues. The issues to consider include the following:

- No limit on EDI enrollment capacity
- Designated supplier services personnel
- Designated single supplier services coordinator for escalation
- Dedicated supplier services email/phone line with daily staffing
- Request acknowledgement
  - Standard: within 1 business day of receipt;
  - Superior: within four business hours
- Completion acknowledgement on all requests
- Ability to accommodate distribution company summary billing of competitively served accounts wherever it is available for other accounts
- On-line accessible current list of customer accounts, with base set of data including start date, price, billing option, rate class.
- Availability of Tariff Based Services. For example:
  - Web based synch lists
  - Interval data via EDI
  - Ad hoc services, e.g. report development, at hourly rate with provision of cost estimate

C. The Need for Financial Incentives

Service quality measures should have a financial impact for the distribution company. There should be a penalty for poor performance and a reward for exemplary performance. The reward component is critical because that is what will drive distribution companies to innovate and to provide ever better service for customers.[4]

It is not sufficient to eschew financial impacts and rely solely on reporting of performance. As the Department has found, a financial impact "is an important and necessary component of a service quality plan in that it provides companies with a direct financial incentive motivation to meet or exceed established performance standards."

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[4] Going beyond incentives for exceeding service quality standards, Constellation recommends that distribution companies also be strongly encouraged to offer optional, tariff-based enhanced services such as enhanced access to usage data, enhanced access to customer lists, and ad hoc services such as report development. Distribution companies in other states offer such services, and many customers benefit from them.

Boston Edison Company, D.T.E. 99-19 at 106 (1999), citing NIPSCO-Bay State Acquisition, D.T.E. 98-31 at 31-32 (1998); Boston Gas Company, D.P.U. 96-50-C at 71-72 (1997); Boston Gas Company, D.P.U. 96-50 (Phase One) at 310 (1996); NYNEX Price Cap, D.P.U. 94-50, at 235-238 (1995).

If the Department chooses instead to require reporting only and not to set a revenue impact, the reporting should be made much more public than it is today. For service quality guidelines to be effective there must be an incentive for good performance and a penalty for poor performance. Financial incentives and penalties are the most straightforward approach. However, public exposure of performance can also be an effective motivator, but only if it is truly public. The Department should publish an annual report detailing the distribution companies' performance and comparing performance from one utility to another. The Pennsylvania commission publishes two such reports, releases them to the press, and makes them available on its web site. See Pennsylvania Public Service Commission, 2003 Customer Service Performance: Pennsylvania Electric and Natural Gas Distribution Companies and Utility Consumer Activities Report and Evaluation 2003. The reports are available on the web at http://www.puc.state.pa.us/general/publications_reports/publications_reports_yearly.aspx .

D. Conclusion

Three years ago, in Service Quality Standards for Electric Distribution Companies and Local Gas Distribution Companies, D.T.E. 99-84, the Department declined, with very little discussion, to adopt performance measures for market access services. At that initial stage in the Department's development of service quality guidelines, the

Department chose to limit the scope of the guidelines to conventional measures such as SAIDI and SAIFI.

In the years since, however, it has become ever more apparent that market access services are a critical element of distribution company service to customers. Customers are dependent on distribution companies to provide the services that enable them to participate in the competitive market. Today, the companies simply have no incentive to perform these services well, and customers are harmed as a result. Service quality standards are needed to solve this problem.

III. RESPONSES TO QUESTIONS RAISED BY THE DEPARTMENT.

In the Vote to Open Investigation, the Department requested comment on ten specific issues. Constellations comments on those issues are set forth below.

(1) Offsets: Currently, if an LDC incurs a potential penalty for substandard performance in a penalty provision measure, the Guidelines allow that LDC to offset that penalty if the LDC exceeded its benchmark in other penalty provisions. Please discuss whether the offset provision offers an incentive for an LDC to improve SQ and whether the use of penalty offsets should be continued in the future Guidelines.

Rather than offsets, Constellation recommends that the companies be able to earn incentives for exemplary performance. Incentives are superior to offsets because they create the incentive to continually improve performance. Offsets, on the other hand, create the incentive only to improve performance up to the level where penalties for poor performance on other measures are offset.

(2) Odor Calls: Currently, the benchmark for odor calls is 95 percent, which is an obtainable goal of all gas LDCs. Please discuss whether this benchmark should be strengthened in the future Guidelines and SQ plans and whether multiple calls regarding a single gas leak should be considered as a single odor call response.

Constellation has no comment on this issue.

(3) Staffing Levels: G.L. c. 164, § 1E (a) requires the Department to establish benchmarks for staff and employee levels of LDCs, and G.L. c. 164, § 1E (b) requires that no company may reduce its staffing levels below what they were on November 1, 1997. However, the statute does not define what staffing levels are, e.g., whether they apply only to union employees or to all employees; whether staffing levels should include employees of non-regulated subsidiaries of the LDCs; and whether the lapse in time (between enactment of the statute and adoption of a performance-based rate plan) negates the November 1, 1997 requirement. Further, the statute does not provide for any penalty for the LDCs that do reduce their staffing levels below 1997 numbers. Please discuss the role of staffing levels in the future Guidelines.

Constellation has no comment on this issue.

(4) Standardization of SQ Performance Benchmarks: In D.T.E. 99-84, at 3-4, the Department required that LDCs collect any data that may be necessary for the Department to revisit, in the future, the issue of using benchmarks based on nationwide, regionwide, or statewide data. The LDCs sent the Department a report on December 19, 2002 concluding that using the historical performance of each LDC on the respective performance measures remains the best method for establishing performance benchmarks. Summary of Findings Related To Service Quality D.T.E. 04-116 Page 3 Benchmarking Efforts, Navigant Consulting, Inc. (December 19, 2002). Please comment.

For the market access services discussed above, the benchmarks should be standardized based on statewide data. Companies that have historically underperformed in this area should not benefit from that underperformance by receiving a lower benchmark. There is one disadvantage to using statewide benchmarks: companies that have performed well in the past may see a lower benchmark than they would if the benchmark were based on that company's own performance. However, that disadvantage can be overcome by offering incentives for companies that perform above the benchmark level.

(5) SQ Incentives: Please comment as to whether any LDC should be allowed to collect incentives for SQ performance. MECo and Nantucket Electric Company (collectively "MECo"), are allowed to collect incentives back from ratepayers if it exceeds its benchmarks in the penalty provisions. The Department approved incentives as part of MECo's SQ plan because MECo's prior SQ plan, pursuant to

Massachusetts Electric Company/Eastern Edison Company, D.T.E. 99-47, at 13, 31-32 (2000), contained penalty/reward structures, and in consideration of the potential benefits to ratepayers. D.T.E. 01-71B at 24 (2001).

A company should be allowed to collect incentives if it exceeds its benchmarks. Most importantly, incentives give the companies a reason to continually improve performance, and not to be satisfied with simply meeting the benchmarks.

(6) Customer Service Guarantees: LDCs are currently required to pay $25.00 to any customer if they fail to meet a scheduled service appointment or fail to notify a customer of a scheduled outage. D.T.E. 99-84, at 38. Please discuss whether the future Guidelines should require (a) payment to customers whether or not the customer requests the credit; and (b) classification as a missed service appointment if the LDC contacts the customer within four hours of the missed appointment and re-schedules the appointment.

Constellation has no comment on this issue.

(7) Property Damage: The Department established a reporting requirement regarding losses related to damage of company-owned property as it was likely to contribute to assessing company safety performance. D.T.E. 99-84, at 17. Please discuss whether this reporting requirement should be made a penalty measure in the future Guidelines.

Constellation has no comment on this issue.

(8) Line Loss: In D.T.E. 99-84, at 18, the Department acknowledged that an electric distribution company may experience percentage variations in line losses from year to year unrelated to SQ degradation. Please discuss whether line losses should be made a reporting requirement in the future Guidelines.

Line losses should be made part of the service quality guidelines. Line losses have a direct cost impact for customers. The companies should have an incentive to reduce line losses and thus costs for customers.

(9) Double Poles: G.L. c. 164, § 34B requires electric distribution and telephone companies engaged in the replacement of an existing pole to remove the existing pole from the site within 90 days after the date of installation of the new pole. Please discuss whether it would be appropriate to include timely removal of double poles as an SQ measure.

Constellation has no comment on this issue.

(10) SAIDI/SAIFI: In D.T.E. 99-84, at 13, the Department accepted as penalty provisions SAIDI and SAIFI. The Department allowed electric LDCs to use their own company specific definitions for "sustained outages or interruptions," "momentary outages," and " excludable major events," to establish benchmarks for SAIDI and SAIFI performance standards. Id. Please discuss whether it is appropriate to develop new definitions for these subjects. Further, in D.T.E. 99-84, at 13, the Department specified that the SAIDI and, possibly SAIFI, benchmarks be based on a five-year average of company-specific data. Please comment on whether it would be appropriate to continue to use the five-year standard.

Constellation has no comment on this issue.

IV. CONCLUSION

Constellation respectfully requests that the Department modify its service quality guidelines in accordance with the foregoing recommendations.

Respectfully submitted,

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By its attorney,

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